



# Vantage *point*

## MARKET OUTLOOK: CAUTIOUSLY STRATEGY: SELECTIVE BUYING ON CONSUMER AND INFRASTRUCTURE STOCKS

After a weak close on March 10 due to PSEi rebalancing, the index reversed losses after FTSE rebalancing last week. As for the Fed's rate hike announcement last week, take note that it was not just widely expected but also relatively dovish. This caused the dollar to soften, sending the euro, yen and EM currencies higher. EM as a group is also looking better, as can be seen in the movement of EEM. Global deflation is also lifting equity prices globally. This, combined with strength in emerging markets, should be beneficial to the Philippines.

However, moderate foreign outflows continue with the Philippine market seeing about PhP 1 billion in foreign outflows last week. As it is, the PSEi is locked in a tight consolidation ranged between 7,200 and 7,400. If the PSEi breaks out of this range, the next target will be 7,600.

On the other hand, we have mixed corporate earnings, as well as the prospect of twin deficits in the coming years. Both the country's current account and balance of payments swung surplus to deficit at the end of 2016. If this continues, it may put pressure on Philippine financial assets.

Philippine Stock Exchange Index (PSEi) – 1 year chart



## TRADING STRATEGY



The PSEi reversed the previous week's losses on FTSE rebalancing, the Fed's dovish stance and a softer dollar. We maintain our neutral to defensive stance as risks offset the strong performance of equity markets abroad and the global deflation.